

### ***Caution: DRAFT FORM***

This is an advance proof copy of an IRS tax form. It is subject to change and OMB approval before it is officially released. You can check the scheduled release date on our web site ([www.irs.gov](http://www.irs.gov)).

If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

---

## Publication 970 Draft Worksheet(s)

This draft worksheet from Publication 970, [Tax Benefits for Education], for tax year 2006, is only available on the Internet. Since it is a draft, it is subject to change. If this worksheet is revised, it will be reposted only if there is a change in the computation. When the final version of Publication 970 becomes available, this draft will be removed.

This worksheet can help you figure your adjusted qualified education expenses, how much of your distribution must be included in income, and the remaining basis in your Coverdell ESAs.

**Comments and suggestions.** We welcome your comments about these worksheets.

You can write to us at the following address:

Internal Revenue Service  
Individual Forms and Publications Branch  
SE:W:CAR:MP:T:I  
1111 Constitution Ave. NW, IR-6406  
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at [\\*taxforms@irs.gov](mailto:*taxforms@irs.gov). (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

**How to complete this worksheet.**

- Complete Part I, lines A through H, on only one worksheet.
- Complete a separate Part II, lines 1 through 15, for each of your Coverdell ESAs.
- Complete Part III, the Summary (line 16), on only one worksheet.

**Part I. Qualified Education Expenses** (Complete for total expenses)

- A. Enter your total qualified education expenses for 2006 ..... **A.** \_\_\_\_\_
- B. Enter those qualified education expenses paid for with tax-free educational assistance (for example, tax-free scholarships, veterans' educational benefits, Pell grants, employer-provided educational assistance) ..... **B.** \_\_\_\_\_
- C. Enter those qualified **higher** education expenses deducted on Schedule C or C-EZ (Form 1040), Schedule F (Form 1040), or as a miscellaneous itemized deduction on Schedule A (Form 1040) ..... **C.** \_\_\_\_\_
- D. Enter those qualified **higher** education expenses on which a Hope or lifetime learning credit was based ..... **D.** \_\_\_\_\_
- E. Add lines B, C, and D ..... **E.** \_\_\_\_\_
- F. Subtract line E from line A. This is your adjusted qualified education expense for 2006 ..... **F.** \_\_\_\_\_
- G. Enter your total distributions from **all** Coverdell ESAs during 2006. Do not include rollovers or the return of excess contributions (see instructions) ..... **G.** \_\_\_\_\_
- H. Divide line F by line G. Enter the result as a decimal (rounded to at least 3 places). If the result is 1.000 or more, enter 1.000 ..... **H.** \_\_\_\_\_

**Part II. Taxable Distributions and Basis** (Complete separately for each account)

1. Enter the amount contributed to **this** Coverdell ESA for 2006, including contributions made for 2006 from January 1, 2007, through April 15, 2007. Do **not** include rollovers or the return of excess contributions ..... **1.** \_\_\_\_\_
2. Enter your basis in **this** Coverdell ESA as of December 31, 2005 (see instructions) ..... **2.** \_\_\_\_\_
3. Add lines 1 and 2 ..... **3.** \_\_\_\_\_
4. Enter the total distributions from **this** Coverdell ESA during 2006. Do **not** include rollovers or the return of excess contributions (see instructions) ..... **4.** \_\_\_\_\_
5. Multiply line 4 by line H. This is the amount of adjusted qualified education expense attributable to this Coverdell ESA ..... **5.** \_\_\_\_\_
6. Subtract line 5 from line 4 ..... **6.** \_\_\_\_\_
7. Enter the total value of **this** Coverdell ESA as of December 31, 2006, plus any outstanding rollovers (see instructions) ..... **7.** \_\_\_\_\_
8. Add lines 4 and 7 ..... **8.** \_\_\_\_\_
9. Divide line 3 by line 8. Enter the result as a decimal (rounded to at least 3 places). If the result is 1.000 or more, enter 1.000 ..... **9.** \_\_\_\_\_
10. Multiply line 4 by line 9. This is the amount of basis allocated to your distributions, and is tax free ..... **10.** \_\_\_\_\_
- Note:** If line 6 is zero, skip lines 11 through 13, enter -0- on line 14, and go to line 15.
11. Subtract line 10 from line 4 ..... **11.** \_\_\_\_\_
12. Divide line 5 by line 4. Enter the result as a decimal (rounded to at least 3 places). If the result is 1.000 or more, enter 1.000 ..... **12.** \_\_\_\_\_
13. Multiply line 11 by line 12. This is the amount of qualified education expenses allocated to your distributions, and is tax free ..... **13.** \_\_\_\_\_
14. Subtract line 13 from line 11. This is the **portion of the distributions from this Coverdell ESA in 2006 that you must include in income** ..... **14.** \_\_\_\_\_
15. Subtract line 10 from line 3. This is your **basis in this Coverdell ESA as of December 31, 2006** ..... **15.** \_\_\_\_\_

**Part III. Summary** (Complete only once)

16. **Taxable amount.** Add together all amounts on line 14 for all your Coverdell ESAs. **Enter here and include on Form 1040, line 21,** listing the type and amount of income on the dotted line ..... **16.** \_\_\_\_\_

**Line G.** Enter the total distributions received from **all** Coverdell ESAs during 2006. Do not include amounts rolled over to another ESA within 60 days (only one rollover is allowed during any 12-month period). Also, do not include excess contributions that were distributed with the related earnings (or less any loss) before the first day of the sixth month of the tax year following the year for which the contributions were made.

**Line 2.** Your basis (amount already taxed) in **this** Coverdell ESA as of December 31, 2005, is the total of:

- All contributions to this Coverdell ESA before 2006
- Minus the tax-free portion of any distributions from this Coverdell ESA before 2006.

If your last distribution from this Coverdell ESA was before 2003, you must start with the basis in your account as of the end of the last year in which you took a distribution. For years before 2002, you can find that amount on the last line of the worksheet in the Instructions for Form 8606, Nondeductible IRAs, that you completed for that year. For years after 2001, you can find that amount by using the ending basis from Worksheet 7-3 in Publication 970 for that year. You can determine your basis in this Coverdell ESA as of December 31, 2005, by adding to the basis as of the end of that year any contributions made to that account after the year of the distribution and before 2005.

**Line 4.** Enter the total distributions received from **this** Coverdell ESA in 2006. Do not include amounts rolled over to another Coverdell ESA within 60 days (only one rollover is allowed during any 12-month period).

Also, do not include excess contributions that were distributed with the related earnings (or less any loss) before the first day of the sixth month of the tax year following the year of the contributions.

**Line 7.** Enter the total value of **this** Coverdell ESA as of December 31, 2006, plus any outstanding rollovers contributed to the account after 2005, but before the end of the 60-day rollover period. A statement should be sent to you by January 31, 2007, for this Coverdell ESA showing the value on December 31, 2006.

A **rollover** is a tax-free withdrawal from one Coverdell ESA that is contributed to another Coverdell ESA. An **outstanding rollover** is any amount withdrawn within 60 days before the end of 2006 (November 2 through December 31) that was rolled over after December 31, 2006, but within the 60-day rollover period.